

Arizona Department of Administration - School Facilities Division

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	17.0	17.0	17.0
Personal Services	1,048,200	1,033,400	1,033,400
Employee Related Expenditures	395,000	379,100	379,100
Professional and Outside Services	123,800	101,800	101,800
Travel - In State	16,600	10,000	10,000
Travel - Out of State	600	600	600
Other Operating Expenditures	49,500	128,500	128,500
OPERATING SUBTOTAL	1,633,700	1,653,400	1,653,400
SPECIAL LINE ITEMS			
New School Facilities			
New School Facilities (FY 2022 Authorizations)	47,950,000	0	0
New School Facilities (FY 2023 Authorizations)	48,253,900	26,365,000	0
New School Facilities (FY 2024 Authorizations)	0	116,089,400	77,898,600 ^{1/}
New School Facilities (FY 2025 Authorizations)	0	0	48,098,600 ^{2/3/}
Santa Cruz Valley New School	0	2,000,000	0
Yuma Union High School	16,515,200	0	0
Kirkland Site Conditions	400,000	0	0
New School Facilities Debt Service	9,938,100	9,938,100	9,938,100 ^{4/5/}
Other Programs			
Building Renewal Grants Deposit	199,967,900	199,967,900	16,667,900
School Facilities Inspections	0	1,000,000	0
AGENCY TOTAL	324,658,800	357,013,800	154,256,600 ^{6/}
FUND SOURCES			
General Fund	324,658,800	357,013,800	154,256,600
SUBTOTAL - Appropriated Funds	324,658,800	357,013,800	154,256,600
Other Non-Appropriated Funds	322,100	382,000	0
TOTAL - ALL SOURCES	324,980,900	357,395,800	154,256,600

AGENCY DESCRIPTION - The School Facilities Division in the Arizona Department of Administration administers the New School Facilities Fund, the Building Renewal Grant Fund, and the Emergency Deficiencies Correction Fund to provide capital funding for K-12 school districts. The division is assisted in its duties by a School Facilities Oversight Board composed of 7 gubernatorial appointments, along with the State Superintendent of Public Instruction and the Director of the Department of Administration serving as advisory non-voting members.

FOOTNOTES

- ^{1/} Laws 2023, Chapter 133, appropriated \$77,898,600 from the General Fund in FY 2025 for the New School Facilities FY 2024 authorizations.
- ^{2/} Pursuant to section 41-5741, Arizona Revised Statutes, the amount appropriated for new school facilities shall be used only for facilities and land costs for school districts that received final approval from the division of school facilities on or before December 15, 2023. (General Appropriation Act footnote)
- ^{3/} After approving a distribution of funding for a land purchase, a land lease or the construction of a new school, the division of school facilities shall report to the joint legislative budget committee and the governor's office of strategic planning and budgeting the final amount of the distribution. (General Appropriation Act footnote)
- ^{4/} At least thirty days before any monies are transferred out of the new school facilities debt service line item, the division of school facilities shall report the proposed transfer to the director of the joint legislative budget committee. (General Appropriation Act footnote)
- ^{5/} Pursuant to section 35-142.01, Arizona Revised Statutes, any reimbursement received by or allocated to the division of school facilities under the federal qualified school construction bond program in fiscal year 2024-2025 shall be deposited in or revert to the state general fund. (General Appropriation Act footnote)

Operating Budget

The Baseline includes \$1,653,400 and 17 FTE Positions from the General Fund in FY 2025 for the operating budget. These amounts are unchanged from FY 2024.

New School Facilities

The Baseline includes \$125,997,200 from the General Fund in FY 2025 for New School Facilities, which is a decrease of \$(18,457,200) from FY 2024. The funding amount for New School Facilities includes the following:

- \$77,898,600 for the remaining 50% of construction funding to complete 8 projects which were authorized to begin construction in FY 2024.
- \$48,098,600 for land costs and the first 50% of construction costs for 5 projects authorized to begin construction in FY 2025. This amount includes \$45,077,100 for construction, \$780,000 for a land donation credit, and \$2,241,500 for site conditions and demolition.

All new school construction is labeled as one-time spending rather than ongoing spending. (See Table 3 for a summary of New School Facilities Funding)

Background – The New School Facilities line item provides funding for school districts to build new K-12 school facilities. The division distributes the monies to school districts as work is completed on approved projects. A school district qualifies for new construction funding when the districtwide square feet per student is predicted to fall below the statutory minimum within the next 2 years. Funding is then provided to the district at a statutorily-prescribed dollar amount per square foot. The dollar amount per square foot is adjusted annually based on a construction market index identified by the JLBC. At its December 14, 2023 meeting, the JLBC approved a 6.52% adjustment in the cost per square foot. This inflation adjustment is based on measure of construction costs since December 2022 when the Committee last adopted an adjustment. This adjustment applies to the FY 2025 projects approved by the division. (See Table 1 for the current statutory funding amounts)

In addition, the division distributes money for land acquisition and site conditions. Site conditions funding is used for extraordinary site-specific construction needs such as: 1) Earth moving costs beyond normal requirements (such as dynamite blasting); 2) Building footings that must be deeper than standard code (in excess of 3 feet below grade); and 3) Replacing poor/collapsing soil which cannot support buildings with

other materials such as engineered fill. Site conditions do not include the costs of utilities placement or complying with standard local building codes.

Table 1

New School Facilities Statutory Funding Guidelines – FY 2025 Awards ^{1/2/}

Type of School	Per Student	Funding Per Square Foot
K-6	90	\$329.26
7-8	100	\$347.62
9-12 (<1,800 pupils)	134	\$402.43
9-12 (≥1,800 pupils)	125	\$402.43

^{1/} Increased by 5% for rural school districts.

^{2/} Adjusted annually for inflation in subsequent years.

New School Facilities (FY 2023 Authorization)

The Baseline includes no funding in FY 2025 for New School Facilities projects which were authorized to start construction in FY 2023. Adjustments are as follows:

New School Funding Completion

The Baseline includes a decrease of \$(26,365,000) from the General Fund in FY 2025 for the completion of 3 projects:

- Marana (9-12) – for a new high school
- Nadaburg (9-12) – for a new high school including land.
- Pima (9-12) – for a new high school including land.

New School Facilities (FY 2024 Authorization)

The Baseline includes \$77,898,600 from the General Fund in FY 2025 for New School Facilities projects which are authorized to start construction in FY 2024. Adjustments are as follows:

Continue New School Construction Projects

The Baseline includes a decrease of \$(28,053,300) from the General Fund in FY 2025 to continue construction for 8 new schools. These school districts are projected to be at capacity in FY 2025 or before. The Baseline assumes 50% of construction costs for each project will be appropriated in FY 2025, except for the Glendale project which was funded 100% in FY 2024 due to its small size. 100% of land costs were also funded in FY 2024. The projects are as follows:

- Agua Fria (9-12) – for a new high school including land
- Glendale (K-8) – for replacement space with 100% of the costs funded in FY 2024.

- Liberty (K-8) – for a new elementary school including land.
- Queen Creek (K-6) – for 2 elementary school additions.
- Queen Creek (K-6) – for a new elementary school including land.
- Queen Creek (7-8) – for 2 middle school additions.
- Saddle Mountain (9-12) – for a high school addition.
- Snowflake (9-12) – for a new high school including land.

This adjustment also includes the removal of one-time savings associated with the Sahuarita 9-12 project cancellation (which was authorized for FY 2022). The savings from this cancelled project were realized by reducing SFD's FY 2024 new school facilities appropriation.

The FY 2024 General Appropriation Act appropriated the remaining \$77,898,600 of funding in FY 2025 for these projects. As a result, these monies will not appear in the FY 2025 General Appropriation Act.

Remove One-Time Prior Year Land Costs

The Baseline includes a decrease of \$(6,190,000) from the General Fund in FY 2025 to remove one-time funding for prior year land cost adjustments. *(Please see the FY 2024 Appropriations Report for additional details on funding distributions for prior year land costs.)*

Remove One-Time Site Conditions

The Baseline includes a decrease of \$(3,947,500) from the General Fund in FY 2025 to remove one-time funding for site conditions. *(Please see the FY 2024 Appropriations Report for additional details on funding distributions for site conditions.)*

New School Facilities (FY 2025 Authorization)

The Baseline includes \$48,098,600 from the General Fund in FY 2025 for New School Facilities projects which are authorized to start construction in FY 2025. Adjustments are as follows:

Begin New School Construction Projects

The Baseline includes \$48,098,600 from the General Fund in FY 2025 for New School Facilities projects. These school districts are projected to be at capacity in FY 2026 or before. The Baseline assumes 50% of construction costs and 100% of land costs for each project will be appropriated in FY 2025. The projects are as follows:

- Marana (6-8) – for a new middle school and a land donation credit
- Queen Creek (9-12) – for 2 high school additions.

- Sahuarita (9-12) – for high school addition and site conditions. The SFD award (and corresponding Baseline amount) for this project reflects a deduction of \$(484,900) for design costs previously funded.
- Valentine (K-8) – for a replacement school, site conditions, and demolition. SFD has made the determination that Valentine Elementary School has outlived its useful life. Under statute, with that determination, SFD removed the school's capacity and recalculated the new construction square footage requirements based on total district enrollment and minimum adequacy guidelines. SFD then awarded the district a 15,463 square feet project.

Santa Cruz Valley New School

The Baseline includes no funding in FY 2025 for additional project funding for a new school in the Santa Cruz Valley Unified School District. Adjustments are as follows:

Remove One-Time Additional Project Funding

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2025 to remove one-time funding for additional project funding for the Santa Cruz Valley Unified School District.

The district was awarded a new high school for FY 2020 and the project received additional funding as part of the new construction statutory rate adjustment in FY 2022. Given that the district required additional funding to award a construction contract for the school, this line item allocates further monies to supplement the project budget. With the additional FY 2024 funding, the total project funding is \$10,852,000.

New School Facilities Debt Service

The Baseline includes \$9,938,100 from the General Fund in FY 2025 for New School Facilities Debt Service. This amount is unchanged from FY 2024.

SFD's only current debt service is for an FY 2010 lease-purchase agreement used to finance the costs of new school construction. That agreement requires the \$9,938,100 annual debt service payment through FY 2027 and a final lower debt service amount in FY 2028.

The FY 2025 Baseline includes \$9,938,100 for the debt service requirement for the 2010 Qualified School Construction Bonds (QSCB) issuance. The lease-purchase agreement associated with the QSCBs requires the state to appropriate the entire debt service amount for the payment, as opposed to deducting the expected federal subsidy from the payment. The state is expected to receive a federal subsidy of \$3,729,900, in FY 2025 related to the lease-purchase payment.

Pursuant to A.R.S. § 35-142.01, the subsidy funds will be deposited as revenue into the state General Fund, thereby leaving a net debt service obligation of \$6,208,200.

Other Programs

Building Renewal Grants

The Baseline includes \$16,667,900 from the General Fund in FY 2025 for Building Renewal Grants. Adjustments are as follows:

Eliminate One-Time Funding

The Baseline includes a decrease of \$(183,300,000) from the General Fund in FY 2025 to eliminate one-time funding for building renewal grants.

Since FY 2014, the state has funded an ongoing "base" amount of Building Renewal Grant funding of \$16,667,900. (See Table 2.)

Background – SFD distributes monies to school districts to fund “primary” building renewal projects. SFD prioritizes projects with emphasis given to school districts that have provided routine preventative maintenance. “Primary” building renewal projects are those required to meet the minimum adequacy guidelines. Statute also requires SFD to prioritize funding to critical projects.

Table 2

Building Renewal Appropriations FY 2013 - FY 2024

Fiscal Year	Ongoing	One-Time	Total
2013	2,667,900	0	2,667,900
2014	16,667,900	0	16,667,900
2015	16,667,900	0	16,667,900
2016	16,667,900	15,000,000	31,667,900
2017	16,667,900	15,000,000	31,667,900
2018	16,667,900	27,167,900	43,835,800
2019	16,667,900	59,417,900	76,085,800
2020	16,667,900	90,790,900	107,458,800
2021	16,667,900	129,591,100	146,259,000
2022	16,667,900	183,949,100	200,617,000
2023	16,667,900	183,300,000	199,967,900
2024	16,667,900	183,300,000	199,967,900

Pursuant to A.R.S. § 41-5721, SFD is required to transfer excess funds in the New School Facilities (NSF) Fund to the Emergency Deficiencies Correction (EDC) Fund to the extent that the transfer does not affect or disrupt any approved new construction projects.

If there are insufficient monies in the EDC Fund for district requests, A.R.S. § 15-907 allows a district to levy an additional primary property tax to fund the repairs, with the approval of the respective County Board of Supervisors.

School Facility Inspections

The Baseline includes no funding in FY 2025 for School Facility Inspections. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2025 to remove one-time funding for school facility inspections.

Monies in the School Facility Inspection line item will provide resources to the SFD to conduct building inspections. Statute requires the SFD to inspect school buildings once every 5 years. The FY 2024 appropriation is non-lapsing.

Other Issues

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, SFD's General Fund costs are projected to increase by \$10,838,300 in FY 2026 above FY 2025 and increase by \$135,760,800 in FY 2027 above FY 2026. These estimates are based on:

New School Construction

The long-term estimates assume 3 types of new school construction funding: 1) Providing the remaining funding in FY 2026 for the schools which were authorized to begin construction in FY 2025; 2) Conceptual approvals made by SFD as part of the agencies' long-term planning process, and 3) a 4% annual increase to the cost per square foot inflation factor in both FY 2026 and FY 2027.

In FY 2026, new school construction spending is projected to increase by \$10,838,300. In addition, FY 2027 new school construction spending is projected to increase by \$135,760,800.

Long-term estimates include land costs when SFD indicates land is required which is not already available to the district. Unless a land cost estimate was specifically provided by SFD, land costs are projected using an estimated parcel size within the range required by SFD policy (based on school type/size) and estimated land market values.

New construction projects assumed to start in FY 2026 and FY 2027 reflect SFD conceptual approvals as of December 2023.

Table 3

Long-Term New School Facilities Funding ^{1/}

	Type	Sq. Ft	Student Capacity	FY 2024	FY 2025	FY 2026	FY 2027
<u>FY 2023 Starts</u>							
Marana 9-12	New	37,400	369	3,416,200			
Nadaburg 9-12	New	67,000	500	11,799,000			
Pima 9-12 (Rural)	New	60,300	450	11,149,800			
Subtotal - FY 2023 Starts				\$ 26,365,000			
<u>FY 2024 Starts</u> ^{1/}							
Agua Fria 9-12	New	125,000	1000	\$ 23,613,000	\$ 23,613,000		
Aqua Fria Land				24,000,000			
Glendale K-8	Replacement	2,442	28	764,800			
Liberty K-8	New	73,920	800	11,575,400	11,575,400		
Liberty Land				10,000,000			
Queen Creek K-6	Addition	18,330	229	2,832,950	2,832,950		
Queen Creek K-6	Addition	14,520	182	2,244,150	2,244,150		
Queen Creek K-6	New	90,000	1000	13,909,800	13,909,800		
Queen Creek Land				11,100,000			
Queen Creek 7-8	Addition	39,918	499	6,513,400	6,513,400		
Queen Creek 7-8	Addition	25,082	314	4,092,600	4,092,600		
Saddle Mountain 9-12	Addition	57,620	430	10,884,700	10,884,700		
Snowflake 9-12 (Rural)	New	11,256	84	2,232,600	2,232,600		
Snowflake Land				5,000,000			
Sahuarita Project Savings				(22,811,500)			
Prior Year Land Adjustments				6,190,000			
Prior and Current Year Site Conditions				3,947,500			
Subtotal - FY 2024 Starts				\$ 116,089,400	\$ 77,898,600		
<u>FY 2024 New School Line Items</u>							
Santa Cruz Valley 9-12				\$ 2,000,000			
<u>FY 2025 Starts</u>							
Maricopa 6-8	New	96,670	1,000		16,503,500	16,503,500	
Maricopa Land Donation					780,000		
Queen Creek 9-12	Addition	37,500	300		7,545,600	7,545,600	
Queen Creek 9-12	Addition	62,500	500		12,576,000	12,576,000	
Sahuarita 9-12 ^{2/}	New	29,750	238		5,743,700	5,743,700	
Sahuarita Site Conditions					906,500		
Valentine K-8 (Rural)	Replacement	15,463	151		2,708,300	2,708,300	
Valentine Site Conditions and Demolition					1,335,000		
Subtotal - FY 2025 Starts					\$ 48,098,600	\$ 45,077,100	
<u>FY 2026 Starts</u>							
Buckeye Union 9-12	New	225,000	1,800			47,084,700	47,084,700
Clarkdale - Jerome K-8	Addition	4,620	50			801,500	801,500
Laveen K-8	New	92,400	1,000			16,029,100	16,029,100
Laveen Land						6,000,000	
Queen Creek K-6	New	67,500	750			11,557,000	11,557,000
Snowflake 7-8 (Rural)	New	6,800	68			2,581,400	
Somerton K-6	New	45,000	500			7,704,700	7,704,700
Subtotal - FY 2026 Starts						\$ 91,758,400	\$ 83,177,000
<u>FY 2027 Starts</u>							
Buckeye Elementary K-8	New	87,780	950				\$ 15,836,900
Liberty K-8	New	73,920	800				\$ 13,336,300
Marana 9-12	New	125,000	1,000				\$ 27,204,400
Maricopa K-5	New	72,000	800				\$ 12,820,700
Maricopa 9-12	Addition	125,000	1,000				\$ 27,204,400
Nadaburg K-8	New	73,920	800				\$ 13,336,300
Palo Verde K-8	New	64,680	700				\$ 11,669,300
Tolleson 9-12	New	312,500	2,500				\$ 68,011,000
Subtotal - FY 2027 Starts							\$ 189,419,300
Total				\$ 144,454,400	\$ 125,997,200	\$ 136,835,500	\$ 272,596,300

1/ See the Arizona Department of Administration section for additional FY 2024 funding associated with the Miami Unified School District and the Skull Valley Elementary District.

2/ Project formula reduced by \$484,900 for design costs previously funded.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
Arizona Public School Credit Enhancement Fund (SFA9999/A.R.S. § 41-5857)		Non-Appropriated
Source of Revenue: Revenues include fees paid by participating schools, repayments of monies used to make payments of principal and interest on guaranteed financings, proceeds of program funding obligations, gifts, grants, and donations. The fund is administered by the Treasurer's Office. (Please see the State Treasurer's Section for more information.)		
Purpose of Fund: To make payments of principal or interest on guaranteed financings. To pay administrative expenses for the Arizona Credit Enhancement Program. The School Facilities Division allows the Governor's Office to administer the program.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Building Renewal Grant Fund (SFA2392/A.R.S. § 41-5741)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To provide grants to school districts for maintaining the adequacy of existing school facilities. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations. The balance amounts displayed represent unencumbered funds which have not been awarded by the division.		
Funds Expended	0	0
Year-End Fund Balance	280,501,200	0
Emergency Deficiencies Correction Fund (SFA2484/A.R.S. § 41-5721)		Non-Appropriated
Source of Revenue: Monies transferred from the Building Renewal Grants Fund or New School Facilities Fund.		
Purpose of Fund: To provide school districts monies for facility emergencies.		
Funds Expended	322,100	382,000
Year-End Fund Balance	382,000	0
Lease to Own Debt Service Fund (SFA2373/A.R.S. § 41-5704)		Non-Appropriated
Source of Revenue: Appropriated monies and interest earnings from the investment of lease-to-own Certificates of Participation proceeds.		
Purpose of Fund: To pay the debt service on any lease-to-own agreements entered into by the school facilities oversight board to finance the costs of new school construction. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
Funds Expended	0	0
Year-End Fund Balance	3,633,800	3,632,200
New School Facilities Fund (SFA2460/A.R.S. § 41-5731)		Non-Appropriated
Source of Revenue: Appropriated monies, monies received by the State Land Department from the lease of state public school land, and proceeds from lease-to-own agreements. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
Purpose of Fund: To provide school districts with monies for constructing new school facilities, and to pay for the following: construction project management services, school building structural assessments, and land acquisition services.		
Funds Expended	0	0
Year-End Fund Balance	139,340,500	56,896,900
School Improvement Revenue Bond Debt Service Fund (SFA5020/A.R.S. § 41-5084)		Non-Appropriated
Source of Revenue: Revenues from a 0.6% increase in the state Transaction Privilege Tax (as approved under Proposition 301 in the 2000 General Election) and monies credited to the fund from the Permanent State School Fund.		
Purpose of Fund: To pay the debt service on \$793,650,000 in Proposition 301 revenue bonds and \$26,350,000 in QZAB revenue bonds.		
Funds Expended	0	0
Year-End Fund Balance	9,377,400	9,377,400
State School Trust Revenue Bond Debt Service Fund (SFA5030/Laws 2003, Chapter 264)		Non-Appropriated
Source of Revenue: Monies credited to the fund from the Permanent State School Fund (A.R.S. § 37-521.B1).		
Purpose of Fund: To pay the debt service on \$246,600,000 in State Land Trust Revenue bonds.		
Funds Expended	0	0
Year-End Fund Balance	22,700	22,700